

AN ACT concerning taxes.

Be it enacted by the People of the State of Illinois,
represented in the General Assembly:

Section 5. The Illinois Housing Development Act is
amended by changing Section 7.28 as follows:

(20 ILCS 3805/7.28)

Sec. 7.28. Tax credit for donation to sponsors. The
~~Illinois--Housing--Development~~ Authority may administer and
adopt rules for an affordable housing tax donation credit
program to provide tax credits for donations ~~to sponsors of~~
~~affordable-housing-projects~~ as set forth in this Section.

(a) In this Section:

"Administrative housing agency" means either the ~~Illinois~~
~~Housing-Development~~ Authority or an agency of the City of
Chicago.

"Affordable housing project" means either (i) a rental
project in which at least 25% of the units have rents
(including tenant-paid heat) that do not exceed, on a monthly
basis, maximum gross rent figures, as published by the
Authority, that are: (i) based on data published annually by
the U.S. Department of Housing and Urban Development, (ii)
based on the annual income of households earning 60% of the
area median income, (iii) computed using a 30% of the gross
monthly income standard and (iv) adjusted for unit size of--a
~~household--earning-60%-of-the-area-median-income~~ and at least
25% of the units are occupied by persons and families whose
incomes do not exceed 60% of the median family income for the
geographic area in which the residential unit is located or
(ii) a unit for sale to homebuyers whose gross household
income is at or below 60% of the area median income and who
pay no more than 30% of their gross household income for

mortgage principal, interest, property taxes, and property insurance (PITI).

"Donation" means money, securities, or real or personal property that is donated to a not-for-profit sponsor that is used solely for costs associated with either (i) purchasing, constructing, or rehabilitating an affordable housing project in this State, (ii) an employer-assisted housing project in this State, (iii) general operating support, or (iv) technical assistance as defined by this Section.

"Employer-assisted housing project" means either down-payment assistance, reduced-interest mortgages, mortgage guarantee programs, rental subsidies, or individual development account savings plans that are provided by employers to employees to assist in securing affordable housing near the work place, that are restricted to housing near the work place, and that are restricted to employees whose gross household income is at or below 120% of the area median income.

"General operating support" means any cost incurred by a sponsor that is a part of its general program costs and is not limited to costs directly incurred by the affordable housing project.

"Geographical area" means the metropolitan area or county designated as an area by the federal Department of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended, for purposes of determining fair market rental rates.

"Median income" means the incomes that are determined by the federal Department of Housing and Urban Development guidelines and adjusted for family size.

"Project" means an affordable housing project, an employer-assisted housing project, general operating support, or technical assistance.

"Sponsor" means a not-for-profit organization that (i) is

organized as a not-for-profit organization under the laws of this State or another state and (1) for an affordable housing project, has as one of its purposes the development of affordable housing; (2) for an employer-assisted housing project, has as one of its purposes home ownership education; and (3) for a technical assistance project, has as one of its purposes either the development of affordable housing or home ownership education under--the--General--Not---For---Profit Corporation--Act--of--1986--for--the--purpose--of--constructing--or--rehabilitating--affordable--housing--units--in--this--State; (ii) is organized for the purpose of constructing or rehabilitating affordable housing units and has been issued a ruling from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under provisions of the Internal Revenue Code; or (iii) is an organization designated as a community development corporation by the United States government under Title VII of the Economic Opportunity Act of 1964.

"Tax credit" means a tax credit allowed under Section 214 of the Illinois Income Tax Act.

"Technical assistance" means any cost incurred by a sponsor for project planning, assistance with applying for financing, or counseling services provided to prospective homebuyers.

(b) A sponsor must apply to an the administrative housing agency that--administers--the--program for approval of the project. The administrative housing agency must reserve a specific amount of tax credits for each approved affordable housing project for-24-months-after--the--date--of--approval. The--sponsor--must--receive--an--eligible--donation--within--that 24-month-time-period--or--donations--to--the--project--made--after the--end--of--the--24-month-period--are--not--eligible--for--the--tax credit--allowed--under--Section--214--of--the--Illinois--Income--Tax Act. Tax credits for general operating support can only be

reserved as part of a reservation of tax credits for an affordable housing project, an employer-assisted housing project, or technical assistance. No tax credits shall be allowed for a project without a reservation of such tax credits by an administrative housing agency for that project.

(c) The Illinois--Housing--Development Authority must adopt rules establishing criteria for eligible costs and donations, issuing and verifying tax credits, and selecting affordable--housing projects that are eligible for a tax credit under Section 214 of the Illinois Income Tax Act.

(d) Tax credits for employer-assisted housing projects are limited to that pool of tax credits that have been set aside for employer-assisted housing. Tax credits for general operating support are limited to 10% of the total tax credit reservation for the related project (other than general operating support) allocation--for--a--project and are also limited to that pool of tax credits that have been set aside for general operating support. Tax credits for technical assistance are limited to that pool of tax credits that have been set aside for technical assistance.

(e) The amount of tax credits reserved by the administrative housing agency for an approved project is limited to \$13 million in the initial year and shall increase each year by 5%. The City of Chicago shall receive 24.5% of total tax credits authorized for each fiscal year. The Illinois-Housing--Development Authority shall receive the balance of the tax credits authorized for each fiscal year. The tax credits may be used anywhere in this the State. The tax credits have the following set-asides:

(1) for employer-assisted housing projects, \$2 million; and

(2) for general operating support and technical assistance, \$1 million.

The balance of the funds must be used for affordable

housing projects that would otherwise meet the definition of affordable housing. During the first 9 months of a fiscal year, if an administrative housing agency is unable to reserve the tax credits set aside for the purposes described in subsection (e), the administrative housing agency may reserve the tax credits for any approved projects.

(f) The administrative housing agency that reserves tax credits for an affordable housing project issues the credit must record against the land upon which the affordable housing project is located an instrument to assure that the property maintains its affordable housing compliance for a minimum of 10 years. The housing Authority has flexibility to assure that the instrument does not cause undue hardship on homeowners.

(Source: P.A. 92-491, eff. 8-23-01.)

Section 10. The Illinois Income Tax Act is amended by changing Section 214 as follows:

(35 ILCS 5/214)

Sec. 214. Tax credit for affordable housing donations.

(a) Beginning with taxable years ending on or after December 31, 2001 and until the taxable year ending on December 31, 2006, a taxpayer who makes a donation under Section 7.28 of the Illinois Housing Development Act ~~for the development of affordable housing in this State~~ is entitled to a credit against the tax imposed by subsections (a) and (b) of Section 201 in an amount equal to 50% of the value of the donation. Partners, shareholders of subchapter S corporations, and owners of limited liability companies (if the limited liability company is treated as a partnership for purposes of federal and State income taxation) are entitled a credit under this Section to be determined in accordance with the determination of income and distributive share of income

under Sections 702 and 703 and subchapter S of the Internal Revenue Code. Persons or entities not subject to the tax imposed by subsections (a) and (b) of Section 201 and who make a donation under Section 7.28 of the Illinois Housing Development Act are entitled to a credit as described in this subsection and may transfer that credit as described in subsection (c).

(b) If the amount of the credit exceeds the tax liability for the year, the excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The tax credit shall be applied to the earliest year for which there is a tax liability. If there are credits for more than one year that are available to offset a liability, the earlier credit shall be applied first.

(c) The transfer of the tax credit allowed under this Section may be made (i) to the purchaser of land that has been designated solely for affordable housing projects in accordance with the Illinois Housing Development Act or (ii) to another donor who has also made a ~~an-eligible~~ donation ~~to the--sponsor--of--an-affordable-housing-project~~ in accordance with Section 7.28 of the Illinois Housing Development Act.

(d) A taxpayer claiming the credit provided by this Section must maintain and record any information that the Department may require by regulation regarding the ~~affordable~~ housing project for which the credit is claimed. When claiming the credit provided by this Section, the taxpayer must provide information regarding the taxpayer's donation to the project ~~development--of--affordable--housing~~ under the Illinois Housing Development Act.

(Source: P.A. 92-491, eff. 8-23-01.)

Section 99. Effective date. This Act takes effect upon becoming law.